

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 2023 [Japanese GAAP]



April 28, 2023  
TSE

Company name Japan Medical Dynamic Marketing, INC. Listing  
 Securities Code 7600 URL <http://www.jmdm.co.jp/>  
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 Scheduled date of the ordinary general meeting of shareholders June 23, 2023 Scheduled date of commencement of dividend payment June 26, 2023  
 Scheduled date of submission of the annual securities report June 27, 2023

Preparation of supplementary materials for financial results : Yes

Holding of financial results briefing : Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 2023 (from April 1, 2022 to March 31, 2023)

#### (1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE March 2023	21,307	11.0	2,024	(23.9)	2,043	(21.1)	1,423	(33.3)
FYE March 2022	19,193	14.7	2,661	22.7	2,591	21.9	2,135	28.3

(Note) Comprehensive income FYE March 2023 ¥2,209 million (-28.0%)

FYE March 2022 ¥3,069 million (54.6%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
FYE March 2023	54.03	-	6.4	7.2	9.5
FYE March 2022	80.95	-	10.7	9.9	13.9

(Reference) Equity in earnings (losses) of affiliates FYE March 2023 (-¥63 million) FYE March 2022 (-¥12 million)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE March 2023	29,434	23,292	78.7	880.64
FYE March 2022	27,342	21,491	78.2	810.59

(Reference) Shareholders' equity FYE March 2023 ¥23,161 million FYE March 2022 ¥21,386 million

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
FYE March 2023	2,186	(1,481)	(514)	2,804
FYE March 2022	3,111	(1,750)	(1,287)	2,590

### 2. Dividends

	Annual dividends					Total dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of period	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FYE March 2022	-	0.00	-	12.00	12.00	317	14.8	1.6
FYE March 2023	-	0.00	-	13.00	13.00	343	24.1	1.5
FY ending March 2024 (Forecast)	-	0.00	-	14.00	14.00		24.5	

### 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate changes from the previous year for the full year, and from the same quarter of the previous year for the quarter.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (Cumulative)	10,800	8.1	800	(13.7)	750	(18.2)	450	(37.6)	17.11
Full year	23,300	9.3	2,500	23.5	2,400	17.4	1,500	5.4	57.03

#### \*Notes

##### (1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in changes in scope of consolidation) : None

Newly included- companies (company name)- , Excluded- companies (company name)-

##### (2) Changes in accounting policies, accounting estimates, and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard : Yes

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Retrospective restatement : None

##### (3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

FYE March 2023	26,475,880 shares	FYE March 2022	26,475,880 shares
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2) Number of treasury shares at the end of the period

FYE March 2023	175,107 shares	FYE March 2022	92,179 shares
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3) Average number of shares during the period

FYE March 2023	26,351,799 shares	FYE March 2022	26,383,754 shares
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#### (Reference) Summary of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results for the Fiscal Year Ended March 2023 (from April 1, 2022 to March 31, 2023)

###### (1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE March 2023	12,356	1.9	1,231	(33.2)	1,285	(33.6)	732	(42.8)
FYE March 2022	12,122	9.6	1,844	32.6	1,936	30.9	1,281	2.0

  

	Net income per share	Diluted net income per share
	Yen	Yen
FYE March 2023	27.80	-
FYE March 2022	48.58	-

###### (2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE March 2023	20,531	16,256	79.2	618.09
FYE March 2022	20,343	15,901	78.2	602.71

(Reference) Shareholders' equity FYE March 2023 ¥16,256 million FYE March 2022 ¥15,901 million

※ This summary of financial results is not subject to audit by certified public accountants or auditing firms.

※ Explanation of appropriate use of earnings forecasts and other special notes

- These forward-looking statements such as financial forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve them. Actual results and other future events may differ significantly due to various factors. Please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 4 of the attached document for the assumptions underlying the forecasts, notes on using the forecasts, etc.
- The Company will hold a financial results briefing for institutional investors and analysts on May 12, 2023. Financial results briefing materials to be used on the day of the briefing will be posted on the Company's website on the day of the briefing.

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## 1. Overview of Operating Results, etc.

## (1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2023 of the Group, net sales were ¥21,307 million (up ¥2,114 million, or 11.0% year on year), operating profit was ¥2,024 million (down ¥636 million, or 23.9% year on year), ordinary profit came to ¥2,043 million (down ¥547 million, or 21.1% year on year), and net income attributable to owners of parent was ¥1,423 million (down ¥711 million, or 33.3% year on year). Net sales of our own products accounted for 80.6% of consolidated net sales (79.3% in the previous fiscal year).

In Japan, despite an increase in the number of acquired cases in the first half, net sales were ¥12,601 million (up ¥192 million, or 1.6% year on year). This was because of a decrease in the number of acquired cases in the third quarter (compared with the same quarter in the previous fiscal year), partly due to the impact of a shortage of medical personnel at some hospital facilities, and partly due to the impact of the lowering of reimbursement prices implemented in April 2022 for the full year.

In the United States, net sales to external customers increased to \$66 million (up 5.9% year on year). This was because the delayed sales contracts with new customers were concluded successively in the second half as the supply chain issue that arose in the first half improved in the second half, and the number of cases acquired increased due to the implementation of various sales promotion measures for existing customers. After translation into yen, net sales were ¥8,951 million (up ¥1,880 million, or 26.6% year on year) due to the impact of the yen's depreciation. In the fourth quarter, in particular, we achieved double-digit growth in U.S. dollar terms, up 10.6% from the same period of the previous year. (Reference: The exchange rate for U.S. sales was 112.88 yen to the U.S. dollar in the previous fiscal year and was 134.95 yen to the U.S. dollar in the fiscal year under review.)

In the artificial joints category, sales were ¥4,738 million (up 0.4% year on year) due to an increase in the number of acquired cases despite the lowering of reimbursement prices in Japan. In the United States, moreover, U.S. sales increased to \$66 million (up 5.8% year on year). And in particular, sales of the artificial knee joints BKS Revision Knee were strong. After translation into yen, U.S. sales were ¥8,910 million (up 26.5% year on year) due to the impact of the yen's depreciation.

In the category of trauma, the fiscal year under review saw some hospital facilities having difficulty performing surgery in the third quarter due to a shortage of medical personnel, compared with the previous fiscal year, when the number of cases increased following the lifting of behavioral restrictions. However, sales in Japan were ¥4,322 million (up 5.0% year on year), mainly due to steady sales of ASULOCK and Prima Hip Screw.

In the category of spinal fixation devices, sales of our own product Pisces Spinal System continued to be steady in Japan. As a result, total net sales in Japan and the United States were ¥3,226 million (up 2.4% year on year), despite the sluggish growth of KMC Kyphoplasty System due to the impact of the entry of competitors in the Balloon Kyphoplasty (BKP) market.

As for cost of sales, the cost of sales ratio was 34.3% (32.3% in the previous fiscal year) mainly due to the impact of the yen's depreciation and lowering of reimbursement prices in Japan. Selling, general, and administrative expenses totaled ¥11,967 million (up 15.9% year on year). This was due to an increase in personnel expenses as a result of strengthening of the systems in Japan, an increase in commission expenses (commissions and royalties) in the wake of higher sales in the United States, an increase in research and development expenses for new products and an increase in expenses after translation into yen, in the United States affected by the depreciation of the yen. In addition, the ratio of selling, general, and administrative expenses to net sales grew to 56.2% (53.8% in the previous fiscal year).

Despite an increase in net sales, operating profit was ¥2,024 million (down 23.9% year on year) due to an increase in selling, general, and administrative expenses in addition to a higher cost of sales ratio owing to the impact of the yen's depreciation.

Ordinary profit was ¥2,043 million (down 21.1% year on year) as a result of recording non-operating income of ¥146 million, including foreign exchange gains of ¥100 million and insurance claim income of ¥13 million, and recording non-operating expenses of ¥127 million, including share of loss of entities accounted for using equity method of ¥63 million.

As for extraordinary income and losses, ¥25 million in compensation income was recorded under extraordinary income, and ¥56 million in loss on retirement of non-current assets such as medical tools, ¥100 million in transfer to provision for litigation settlement and ¥142 million in loss on sales suspension of products during development verification period were recorded under extraordinary losses of ¥299 million.

Net income attributable to owners of parent decreased 33.3% year on year to ¥1,423 million, due to the above results and the posting of ¥310 million in gain on forgiveness of debts as extraordinary income in the previous fiscal year.

## (Reference) Consolidated Net Sales by Major Item

Name and item of each segment		Fiscal year under review (From April 1, 2022 to March 31, 2023)	Compared to the previous fiscal year
		Amount (in thousand yen)	(%)
Medical devices	Japan	12,601,596	101.6
	Joint	4,738,514	100.4
	Trauma	4,322,521	105.0
	Spine	3,185,979	101.9
	Other	354,580	79.1
	United States	8,951,174	126.6
	Joint	8,910,644	126.5
	Spine	40,529	154.8
Subtotal (A)		21,552,770	110.6
Sales deduction (B)		(244,824)	-
Total (A) + (B)		21,307,946	111.0
		Ratio (%)	Change (%)
Sales ratio of our own products		80.6	+1.4

(Note) Inter-segment transactions are offset and eliminated. As the amount of "Japan, Artificial bones," which had been separately disclosed in the previous fiscal year, became less important, it was included in "Japan, Other," starting from the fiscal year under review.

Segment results are as follows.

(Japan)

Net sales were strong in major categories. Selling, general, and administrative expenses also increased due to the increased payroll and allowances as well as increases in advertising and other expenses as operating activities recovered.

As a result, net sales in this segment were ¥12,356 million (up 1.9% year on year) and operating profit was ¥1,231 million (down 33.2% year on year).

(United States)

Net sales increased for those to external customers in the artificial joints category. Selling, general, and administrative expenses also increased due to increases in commission expenses (mainly commissions) as well as payroll and allowances.

As a result, net sales in this segment, including internal sales, were ¥12,782 million (up 17.6% year on year) and operating profit was ¥647 million (down 22.8% year on year).

## (2) Financial Position for the Period under Review

### 1) Assets

Total assets at the end of the fiscal year under review increased by ¥2,091 million from the end of the previous fiscal year to ¥29,434 million. The main increases were in merchandise and finished goods by ¥1,191 million, raw materials and supplies by ¥223 million and cash and deposits by ¥214 million.

### 2) Liabilities

Total liabilities increased ¥291 million from the end of the previous fiscal year to ¥6,142 million. The main increases were in short-term borrowings by ¥489 million, accounts payable - trade by ¥193 million and retirement benefit liability by ¥184 million, and the main decrease was in long-term borrowings by ¥515 million.

Net interest-bearing debts, which are calculated by deducting cash and deposits from interest-bearing debts (the total amount of short-term borrowings, long-term borrowings, and lease liabilities), amounted to negative ¥933 million at the end of the fiscal year under review.

### 3) Net assets

Total net assets increased ¥1,800 million from the end of the previous fiscal year to ¥23,292 million. The main increases were in retained earnings by ¥1,106 million and in foreign currency translation adjustment by ¥811 million.

## (3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the fiscal year under review increased by ¥214 million from the end of the previous fiscal year to ¥2,804 million. Cash flows for the fiscal year under review and their factors are as follows

### 1) Cash flows from operating activities

Net cash provided by operating activities was ¥2,186 million, compared with ¥3,111 million in the previous fiscal year. Main components of income were net income before income taxes and others of ¥1,549 million and depreciation of ¥1,548 million. Main components of the expenditure were an increase in inventories by ¥1,005 million and income taxes paid of ¥583 million.

### 2) Cash flows from investing activities

Net cash used in investing activities was ¥1,481 million, compared with ¥1,750 million in the previous fiscal year. The main component was an expenditure of ¥1,222 million for the purchase of property, plant, and equipment.

### 3) Cash flows from financing activities

Net cash used in financing activities was ¥514 million, compared with ¥1,287 million in the previous fiscal year. The main components of the expenditure were repayments of long-term borrowings of ¥574 million and dividends paid of ¥317 million. The main component of income was a net increase in short-term borrowings by ¥501 million.

#### (4) Future Outlook

##### Japan

- Growth of the elderly population  
The population of elderly aged 65 and older in Japan is expected to increase from about 37.1 million in 2021 to about 39.2 million in 2040 (about 35% of the total population). With the increase in the elderly population, the number of patients with bone diseases (bone fractures caused by coxarthrosis, knee osteoarthritis, spinal canal stenosis, osteoporosis, etc.) is expected to increase, and the number of applicable cases using our products is expected to increase in the future as well.
- Lowering of reimbursement prices  
In order to promote the establishment of an efficient, effective, and high-quality healthcare provision system in the absence of expectations for a significant increase in tax revenues, it will be inevitable for the government to curb social security-related expenses. Accordingly, we assume that the tough market environment will continue, such as lower reimbursement prices due to revisions of medical service fees. The reimbursement prices of some of our products and medical services were reduced due to the reimbursement price revision on April 1, 2023 announced by the Ministry of Health, Labour and Welfare (transitional measure for the prices of specified treatment materials of April 1, 2022).

##### United States

- Growth of the elderly population  
The population of elderly aged 65 and older in the U.S. is expected to increase from about 56.2 million in 2021 to about 80.0 million in 2040 (about 21% of the total population). In addition, since there is expected to be a continuous need to improve the quality of life (QOL) of non-elderly patients with degenerative joint disease caused by obesity, etc., the number of patients requiring artificial joint replacement is expected to grow, and the number of applicable cases using our products is expected to increase in the future as well.
- Changes in medical needs  
In the field of orthopedic surgery as well, we recognize that there is an increasing need for digital solutions such as preoperative surgery planning software, intraoperative surgical navigation systems, and robotic surgery. The need to reduce treatment costs has become greater, and the number of artificial joints surgeries in Ambulatory Surgical Centers (ASCs), that perform artificial joints surgeries on an outpatient basis rather than on an inpatient basis, is on the rise. This is likely to give rise to a greater need for medical facilities to procure implant and medical tools that contribute to improved operational efficiency at low cost.

##### Other

- Decline in profitability due to exchange rate fluctuations (weak yen)  
The trend of the yen's depreciation against the U.S. dollar has been continuing since the tightening of monetary policy in the United States. The actual exchange rate deviates significantly from the assumed exchange rate (108 yen/US dollar) in our medium-term management plan due to the weaker yen, and we believe that product imports from our U.S. subsidiary will be affected (deterioration of cost ratio) by exchange rate fluctuations (yen depreciation).  
In order to minimize the decline in profitability, we will increase the sales ratio of our own products, including the expansion of our U.S. business by introducing new products developed in-house. In the medium to long term, we will also utilize WOMA (Changzhou Waston Ortho Medical Appliance Co., Limited) in China, a joint venture established in May 2021, to improve profitability by reducing expenses through lower costs of medical tools.
- Business alliance with Mitsui Chemicals, Inc.  
In collaboration with Mitsui Chemicals, Inc., with which we entered into a capital and business alliance agreement in January 2022, we are promoting collaboration, including product development. The premise is to make mutually effective use of its healthcare development and manufacturing functions and our pharmaceutical and development functions, and sales and marketing functions in the medical device field.

##### Medium-term Management Plan, MODE 2023

The Company has formulated a medium-term management plan, MODE 2023, which shall be implemented over the three years from the fiscal year ended March 2022 (the 50th term) to the fiscal year ending March 2024 (the 52nd term). We are tackling the following key policies, with the medium-term management policy that “in addition to responding to various needs in medical settings, such as improvement of treatment outcomes, we will provide services (implants, medical tools, surgical support systems, etc.) that help to improve the value of treatment (safety and efficacy, improvement of treatment revenue by shortening hospitalization, etc.) to medical settings in a timely manner with greater expertise, and will thereby contribute to enhancing the QOL of patients.”

#### MODE 2023 Key Policies

- 1) Overseas business expansion
- 2) R&D and procurement enhancement
- 3) Human resources and organizational enhancement
- 4) Promotion of digitalization

#### Sustainability Issues

Based on its management philosophy of “Contributing to Medical Care Through the Development and Sale of Advanced Medical Devices,” the Company has identified six material issues as priority environmental and social issues, which it classifies into two categories: “Materiality in Business Activities” and “Materiality in Business Infrastructure.” The Company Group is committed to fulfilling its corporate social responsibilities and promoting its sustainable growth.

Based on the above, the Company forecasts net sales of ¥23,300 million, operating profit of ¥2,500 million, ordinary profit of ¥2,400 million, and net income attributable to owners of parent of ¥1,500 million for the next fiscal year. For reference, the exchange rate assumed in the consolidated financial forecast is 135 yen per US dollar.

## 2. Basic Approach to the Selection of Accounting Standards

The Company Group has fully considered the various impacts of applying the International Financial Reporting Standards (IFRS), including the enhancement of the international comparability of financial information in capital markets, but has decided to apply the Japanese GAAP for the time being.

## 3. Consolidated Financial Statements and Major Notes

## (1) Consolidated Balance Sheet

(In thousand yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,590,849	2,804,928
Notes and accounts receivable - trade, and contract assets	5,212,555	5,270,930
Merchandise and finished goods	8,186,658	9,378,119
Work in process	497,823	593,162
Raw materials and supplies	1,410,927	1,634,044
Other	149,211	295,253
Allowance for doubtful accounts	(1,386)	(1,358)
Total current assets	18,046,638	19,975,079
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	728,450	837,544
Machinery, equipment, and vehicles (net)	350,978	306,786
Tools, furniture, and fixtures (net)	4,691,605	4,600,008
Land	1,953,479	1,956,171
Other	48,173	44,246
Total property, plant, and equipment	7,772,687	7,744,756
Intangible assets	291,960	263,037
Investments and other assets		
Investment securities	-	66,770
Investments in capital of subsidiaries and associates	174,887	204,910
Deferred tax assets	971,990	1,104,875
Other	84,558	75,283
Total investments and other assets	1,231,435	1,451,839
Total non-current assets	9,296,083	9,459,634
Total assets	27,342,722	29,434,714



(In thousand yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	785,671	979,185
Short-term borrowings	557,046	1,046,733
Lease liabilities	33,163	34,553
Income taxes payable	266,440	339,245
Accrued expenses	512,569	511,861
Accounts payable - other	189,283	193,732
Provision for bonuses	194,015	196,606
Provision for bonuses for directors (and other officers)	65,200	64,510
Provision for loss on business	65,000	2,546
Provision for litigation settlement	-	100,000
Other	231,291	158,217
Total current liabilities	2,899,680	3,627,191
Non-current liabilities		
Long-term borrowings	1,247,662	732,248
Lease liabilities	10,875	58,163
Retirement benefit liability	1,023,546	1,208,511
Provision for share awards for directors (and other officers)	88,322	103,514
Asset retirement obligations	29,201	29,493
Long-term deposits received	8,000	8,000
Deferred tax liabilities	544,310	375,495
Total non-current liabilities	2,951,919	2,515,427
Total liabilities	5,851,600	6,142,618
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,029
Retained earnings	14,550,073	15,656,266
Treasury shares	(111,940)	(202,730)
Total shareholders' equity	20,027,090	21,042,494
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	30,294
Foreign currency translation adjustment	1,351,922	2,163,161
Remeasurements of defined benefit plans	7,429	(74,317)
Total accumulated other comprehensive income	1,359,352	2,119,138
Non-controlling interests	104,678	130,462
Total net assets	21,491,121	23,292,095
Total liabilities and net assets	27,342,722	29,434,714

## (2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

(In thousand yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net sales	19,193,098	21,307,946
Cost of sales	6,204,233	7,315,297
Gross profit	12,988,865	13,992,648
Selling, general, and administrative expenses		
Promotion expenses	145,725	189,267
Freight and packing costs	366,122	416,216
Advertising expenses	75,549	90,901
Provision of allowance for doubtful accounts	(704)	(28)
Salaries and allowances	3,367,594	3,708,942
Retirement benefit expenses	102,210	99,965
Legal welfare expenses	303,485	321,983
Welfare expenses	214,373	269,013
Travel and transportation expenses	142,873	264,746
Depreciation	1,241,117	1,350,323
Research and development expenses	485,557	662,942
Taxes and dues	158,617	146,990
Commission expenses	2,407,474	3,024,608
Other	1,317,337	1,422,103
Total selling, general, and administrative expenses	10,327,335	11,967,976
Operating profit	2,661,529	2,024,671
Non-operating income		
Interest income	121	99
Foreign exchange gains	-	100,294
Insurance claim income	-	13,220
Commission income	11,706	2,844
Other	11,403	29,801
Total non-operating income	23,230	146,260
Non-operating expenses		
Interest expenses	29,700	18,145
Foreign exchange losses	35,530	-
Share of loss of entities accounted for using equity method	12,704	63,857
Commission for syndicated loans	7,393	9,396
Other	8,140	35,673
Total non-operating expenses	93,469	127,072
Ordinary profit	2,591,291	2,043,860
Extraordinary income		
Compensation income	-	25,000
Gain on forgiveness of debt	310,826	-
Total extraordinary income	310,826	25,000
Extraordinary losses		
Loss on retirement of non-current assets	87,151	56,129
Impairment losses	162	100
Transfer to provision for loss on business	65,000	-
Transfer to provision for litigation settlement	-	100,000
Loss on product sales suspension	-	142,833
Total extraordinary losses	152,313	299,063
Net income before income taxes and others	2,749,804	1,769,797

(In thousand yen)		
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Income taxes - current	497,268	664,869
Income taxes - deferred	110,827	(330,798)
Total income taxes	608,096	334,070
Net income	2,141,708	1,435,726
Net income attributable to non-controlling interests	6,014	12,006
Net income attributable to owners of parent	2,135,693	1,423,719

## Consolidated statement of comprehensive income

(In thousand yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net income	2,141,708	1,435,726
Other comprehensive income		
Deferred gains or losses on hedges	(2,788)	30,294
Foreign currency translation adjustment	890,271	825,016
Remeasurements of defined benefit plans, net of tax	40,167	(81,747)
Total other comprehensive income	927,650	773,563
Comprehensive income	3,069,358	2,209,289
(Breakdown)		
Comprehensive income attributable to owners of parent	3,049,144	2,183,505
Comprehensive income attributable to non-controlling interests	20,214	25,784

## (3) Consolidated Statement of Changes in Equity

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,001,929	2,587,029	12,705,447	(111,539)	18,182,866
Changes during period					
Dividends of surplus			(291,067)		(291,067)
Net income attributable to owners of parent			2,135,693		2,135,693
Purchase of treasury shares				(401)	(401)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,844,626	(401)	1,844,224
Balance at the end of period	3,001,929	2,587,029	14,550,073	(111,940)	20,027,090

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	2,788	475,850	(32,737)	445,901	84,464	18,713,232
Changes during period						
Dividends of surplus						(291,067)
Net income attributable to owners of parent						2,135,693
Purchase of treasury shares						(401)
Net changes in items other than shareholders' equity	(2,788)	876,071	40,167	913,450	20,214	933,665
Total changes during period	(2,788)	876,071	40,167	913,450	20,214	2,777,889
Balance at the end of period	-	1,351,922	7,429	1,359,352	104,678	21,491,121

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

(In thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of period	3,001,929	2,587,029	14,550,073	(111,940)	20,027,090
Changes during period					
Dividends of surplus			(317,526)		(317,526)
Net income attributable to owners of parent			1,423,719		1,423,719
Purchase of treasury shares				(90,789)	(90,789)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,106,193	(90,789)	1,015,403
Balance at the end of period	3,001,929	2,587,029	15,656,266	(202,730)	21,042,494

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	—	1,351,922	7,429	1,359,352	104,678	21,491,121
Changes during period						
Dividends of surplus						(317,526)
Net income attributable to owners of parent						1,423,719
Purchase of treasury shares						(90,789)
Net changes in items other than shareholders' equity	30,294	811,238	(81,747)	759,785	25,784	785,569
Total changes during period	30,294	811,238	(81,747)	759,785	25,784	1,800,973
Balance at the end of period	30,294	2,163,161	(74,317)	2,119,138	130,462	23,292,095

## (4) Consolidated Statement of Cash Flows

	(In thousand yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Net income before income taxes and others	2,749,804	1,769,797
Depreciation	1,420,777	1,549,812
Increase (decrease) in allowance for doubtful accounts	198	(28)
Increase (decrease) in retirement benefit liability	59,602	47,038
Increase (decrease) in remeasurements of defined benefit plans	23,007	20,100
Increase (decrease) in provision for bonuses	20,743	2,591
Increase (decrease) in provision for bonuses for directors (and other officers)	10,980	(690)
Increase (decrease) in provision for share awards for directors (and other officers)	17,000	15,192
Interest and dividend income	(121)	(99)
Interest expenses	29,700	18,145
Commission for syndicated loans	7,393	9,396
Foreign exchange losses (gains)	56,453	74,494
Share of losses (earnings) of entities accounted for using equity method	12,704	63,857
Gain on forgiveness of debt	(310,826)	-
Loss (gain) on sale and retirement of non-current assets	87,151	59,664
Impairment losses	162	100
Transfer to provision for litigation settlement	-	100,000
Loss on product sales suspension	-	142,833
Increase (decrease) in provision for loss on business	65,000	(62,453)
Decrease (increase) in trade receivables	(662,063)	10,953
Decrease (increase) in inventories	(224,389)	(1,005,629)
Increase (decrease) in trade payables	252,823	154,939
Increase (decrease) in prepaid expenses	(16,378)	(95,432)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	29,739	(76,811)
Other	(6,417)	(5,510)
Subtotal	3,623,045	2,792,262
Interest and dividends received	121	99
Interest paid	(34,253)	(17,911)
Commission for syndicated loans paid	(3,176)	(5,180)
Income taxes (paid) or refunded	(474,070)	(583,044)
Net cash provided by operating activities	3,111,665	2,186,226
<b>Cash flows from investing activities</b>		
Purchase of property, plant, and equipment	(1,538,038)	(1,222,370)
Purchase of intangible assets	(46,972)	(93,183)
Purchase of investment securities	-	(67,475)
Payments for investments in capital of subsidiaries and associates	(165,933)	(99,188)
Other	821	298
Net cash used in investing activities	(1,750,123)	(1,481,919)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(369,320)	501,212
Repayments of long-term borrowings	(595,230)	(574,602)
Repayments of lease liabilities	(32,592)	(33,163)
Purchase of treasury shares	(401)	(90,939)
Dividends paid	(290,201)	(317,287)
Net cash used in financing activities	(1,287,745)	(514,780)
Effect of exchange rate change on cash and cash equivalents	50,721	24,552
Net increase (decrease) in cash and cash equivalents	124,517	214,079
Cash and cash equivalents at the beginning of the period	2,466,331	2,590,849

	(In thousand yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Cash and cash equivalents at the end of the period	2,590,849	2,804,928



## (5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 842, "Leases")

Effective from the current fiscal year, the Company's U.S. subsidiaries have adopted ASC No. 842, "Leases. As a result of this change, in principle, all leases by lessees are recognized as assets and liabilities on the balance sheet. As a result, "Buildings and structures" and "Machinery, equipment and vehicles" of tangible fixed assets increased by 73,195 thousand yen and 1,057 thousand yen, respectively, and "Lease obligations" of current liabilities and fixed liabilities increased by 28,133 thousand yen and 53,707 thousand yen, respectively, in the consolidated balance sheet as of March 31, 2023. The effect of this change on the consolidated statement of income for the current fiscal year is immaterial.

(Segment Information, etc.)

(Segment Information)

### 1. Overview of Reportable Segments

The business type in the Company Group is a single segment of the Medical Devices Business. However, the reportable segments, each of which has separate financial information available, are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company Group manufactures and sells "medical devices mainly in the field of orthopedics." Japan Medical Dynamic Marketing, INC. (hereinafter "the Company") as the parent company based in Japan, and Ortho Development Corporation (hereinafter "ODEV") as its overseas subsidiary based in the United States, operate as independent management units.

Accordingly, the Company Group consists of regional (country) segments based on manufacturing and sales, with "Japan" and the "United States" as two reportable segments.

In "Japan" the Company purchases products such as artificial joints, trauma, and spinal fixation devices in the field of orthopedics mainly from ODEV, as well as from other domestic and overseas manufacturers based on sales alliance agreements, etc., and sells them in Japan. In the "United States" ODEV develops and manufactures artificial joints, trauma, spinal fixation devices, and other products, and supplies them to the Company. In addition, ODEV independently sells artificial joints, spinal fixation devices, and other products primarily in the U.S. market.

### 2. Calculation Method of the Amounts of Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Assets and liabilities of the foreign subsidiary are converted into Japanese yen at the spot exchange rates prevailing at the balance sheet date, and revenues and expenses are converted into Japanese yen at the average exchange rates prevailing during the period. Translation differences are included in the foreign currency translation adjustment in net assets.

Reportable segment profit is based on operating profit. Inter-segment revenues and transfers are based on prevailing market prices.

3. Information on the Amounts of Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment, and Information on the Breakdown of Revenues  
Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Reportable segment			Adjustment (Notes) 1, 2	Amount reported in consolidated financial statements (Note) 3
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	12,122,222	7,070,875	19,193,098	-	19,193,098
Net sales to external customers	12,122,222	7,070,875	19,193,098	-	19,193,098
Inter-segment net sales or transfers	-	3,797,478	3,797,478	(3,797,478)	-
Total	12,122,222	10,868,354	22,990,577	(3,797,478)	19,193,098
Segment profit	1,844,790	839,061	2,683,851	(22,321)	2,661,529
Segment assets	18,243,161	11,431,188	29,674,350	(2,331,628)	27,342,722
Segment liability	4,441,953	2,020,302	6,462,255	(610,655)	5,851,600
Other Items					
Depreciation	759,692	729,041	1,488,733	(67,956)	1,420,777
Increase in property, plant, and equipment and intangible assets	1,189,088	616,883	1,805,971	(140,303)	1,665,668

- Notes: 1. Adjustments for segment profit, segment assets, segment liabilities, and other items represent the elimination of inter-segment transactions.  
2. The negative adjustment of ¥2,331,628 thousand to segment assets includes ¥2,100,495 thousand of corporate assets (mainly the Company's cash and deposits) and the negative adjustment of ¥1,784,204 thousand to inventories.  
3. Segment profit is adjusted with operating profit in the consolidated statement of income.

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

(In thousand yen)

	Reportable segment			Adjustment (Notes) 1, 2	Amount reported in consolidated financial statements (Note) 3
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	12,356,772	8,951,174	21,307,946	-	21,307,946
Net sales to external customers	12,356,772	8,951,174	21,307,946	-	21,307,946
Inter-segment net sales or transfers	-	3,830,948	3,830,948	(3,830,948)	-
Total	12,356,772	12,782,123	25,138,895	(3,830,948)	21,307,946
Segment profit	1,231,439	647,975	1,879,414	145,257	2,024,671
Segment assets	18,305,786	12,922,109	31,227,895	(1,793,181)	29,434,714
Segment liability	4,275,022	2,083,186	6,358,208	(215,590)	6,142,618
Other Items					
Depreciation	762,021	856,714	1,618,736	(68,923)	1,549,812
Increase in property, plant, and equipment and intangible assets	603,984	708,743	1,312,727	4,793	1,317,521

- Notes: 1. Adjustments for segment profit, segment assets, segment liabilities, and other items represent the elimination of inter-segment transactions.  
2. The negative adjustment of ¥1,793,181 thousand to segment assets includes ¥2,225,508 thousand of corporate assets (mainly the Company's cash and deposits) and the negative adjustment of ¥1,514,275 thousand to inventories.  
3. Segment profit is adjusted with operating profit in the consolidated statement of income.

## [Related Information]

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

## 1. Information by Product and Service

The description is omitted, as the type of business in the Company Group is exclusively the Medical Devices Business.

## 2. Regional Information

## (1) Net sales

The description is omitted, as the same information is disclosed in the Segment Information.

## (2) Property, plant, and equipment

The description is omitted, as the same information is disclosed in the Segment Information.

## 3. Information by Major Customers

The description is omitted, as there are no external customers that account for 10% or more of net sales in the consolidated statement of income.

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

## 1. Information by Product and Service

The description is omitted, as the type of business in the Company Group is exclusively the Medical Devices Business.

## 2. Regional Information

## (1) Net sales

The description is omitted, as the same information is disclosed in the Segment Information.

## (2) Property, plant, and equipment

The description is omitted, as the same information is disclosed in the Segment Information.

## 3. Information by Major Customers

The description is omitted, as there are no external customers that account for 10% or more of net sales in the consolidated statement of income.

## [Information on Impairment Losses on Non-current Assets by Reportable Segment]

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	162	-	162	-	162	-	162

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	100	-	100	-	100	-	100

## [Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

Not applicable.

## [Information on Gain on Bargain Purchase by Reportable Segment]

Previous Fiscal Year (from April 1, 2021 to March 31, 2022)

Not applicable.

Fiscal Year under Review (from April 1, 2022 to March 31, 2023)

Not applicable.

## (Per Share Information)

Items	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Net assets per share	¥810.59	¥880.64
Net income per share	¥80.95	¥54.03
Diluted net income per share	Not listed, because there are no dilutive shares.	Not listed, because there are no dilutive shares.

(Note) Shares of the Company's stock remaining in the Trust for Granting Shares to Directors and Corporate Auditors, which are recorded as treasury stock in shareholders' equity, are included in treasury stock, which is deducted in calculating the average number of shares outstanding during the fiscal year for the purpose of calculating net income per share.

The average number of such treasury stock during the period deducted in the calculation of net income per share was 76,827 shares in the previous fiscal year and 108,712 shares in the current fiscal year, and the number of such treasury stock at the end of the period deducted in the calculation of net assets per share was 76,827 shares in the previous fiscal year and 159,727 shares in the current fiscal year.

## (Significant Subsequent Events)

Not applicable.